

**GOVERNMENT OF ANDHRA PRADESH
ABSTRACT**

Industrial Promotion – Interest Subsidy - Implementation of “**Pavala Vaddi Scheme**” for the New Micro and Small Enterprises including Food Processing units in Andhra Pradesh– Orders – Issued.

INDUSTRIES AND COMMERCE (IP) DEPARTMENT

G.O.Rt.No. 624

Dated:20.08.2008

Read the following:

1. G.O.Ms.No.178, Ind. & Com.(IP) Department, dated 21.06.2005.
2. G.O.Ms.No.149, Ind. & Com.(IP) Department, dated 20.06.2008.
3. From the Commissioner of Industries, Hyderabad under SFS File No.20/1/08/0077, dated 4.2.2008.

ORDER:

In the Government Order first read above, the State Government announced New Industrial Investment Promotion Policy (IIPP) 2005-2010 duly extending the various incentives/concessions to all eligible new industrial units set up in the State except in the Municipal Corporation limits of Hyderabad, Vijayawada and Visakhapatnam and commence commercial production on or after 01.04.2005 but before 31.03.2010. In the light of modifications to the Industrial Investment Promotion Policy 2005-2010, a comprehensive order was issued vide G.O. 2nd read above.

2. Among other incentives under IIPP 2005-2010 for Micro and Small enterprises, the following is the Interest subsidy:

- 3% Interest subsidy for general and 5% Interest subsidy for women entrepreneurs on the Interest paid over and above Prime Lending Rate (PLR) will be given on Term Loan with a maximum limit of Rs.5.00 lakhs per year for a period of 5 years.
- 5% Interest subsidy on the Interest paid over and above PLR will be given for SC/ST Entrepreneur on Term Loan with a maximum limit of Rs.5.00 lakhs per year for a period of 5 years.

3. Government have reviewed the Industrial Investment Promotion Policy 2005-10 on setting up of new Micro and Small Enterprises and decided to take steps to encourage the establishment of Micro and Small Enterprises by way of increasing interest subsidy to reduce the financial burden in setting up of Micro and Small Enterprises including Food Processing industries in the State. Accordingly, the Commissioner of Industries, Andhra Pradesh, Hyderabad has furnished the proposals for introduction of “**Pavala Vaddi Scheme**” vide reference 3rd read above.

4. Government after careful examination, hereby introduce a new interest subsidy Scheme of “**Pavala Vaddi**” to reduce the financial burden for setting up of New Micro & Small enterprises including Food Processing in the State. This measure would give a fillip for setting up of new Micro and Small enterprises in the State which contribute significantly to employment generation.

5. **The guidelines of “Pavala Vaddi Scheme” are as follows:**

- i. The Scheme shall be applicable to the Term Loan availed on Fixed Capital Investment by the eligible new Micro & Small enterprises on or after 1.4.2008.
- ii. The new Micro and Small enterprises shall commence commercial production after 1.4.2008 and before 31.3.2010.
- iii. The new Micro and Small enterprises **under Industrial Investment Promotion Policy (IIPP), 2005-10**, availing term loan from Scheduled Commercial Banks recognized by Reserve Bank of India, A.P. State Financial Corporation (APSFC) and Small Industrial Development Bank of India (SIDBI) only are eligible under this scheme.
- iv. The reimbursable interest on term loan is that portion which is in excess of 3% per annum, subject to a maximum reimbursement of 9% per annum.
- v. The Interest amount paid by the new eligible Micro & Small enterprises to the Financial Institutions/Banks on the term loan availed will be reimbursed with a maximum limit of 9% on **half yearly** basis through the concerned Financial Institutions/Banks. Benefit will be available for a period of 5 years from the date of commencement of commercial production i.e. upto the 1st half of 6th year or till the closure of the term loan account, whichever is earlier.
- vi. This reimbursement to the unit shall not include penal interest, liquidated damages etc. paid to the Financial Institutions / Banks.
- vii. The benefit shall be extended only to the eligible new units which are promptly and regularly repaying the Loan installments of principal & interest.
- viii. The loan accounts that are classified as overdue in the books of the bank at the time of half-yearly closing and that which are classified as Non-performing Assets at year-end closing are ineligible. However, if they resume on-time repayments and regularize the arrears, they are eligible for the incentive in the next half-yearly period.

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- ix. The benefit shall be extended only to eligible new Micro & Small enterprises set up in the State except in the Municipal Corporation limits of Visakhapatnam, Vijayawada and Hyderabad. However, units under Expansion/Diversification are not eligible for this benefit.
- x. The classification of Enterprises as Micro and Small enterprises shall be as per the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which is:
- a) Micro Enterprise (Industrial unit): Micro enterprise means a unit where the investment in plant and machinery does not exceed twenty five lakh rupees.
- b) Small Enterprise (Industrial unit): Small enterprise means a unit where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees.
- xi. The State Level Committee (SLC) /District Level Committee (DLC) will sanction and release the reimbursement of interest in accordance with the procedure laid down under Operational Guidelines of IIPP 2005-2010 scheme.
- xii. The unit has to submit the claim application to the concerned General Manager, District Industries center along with the Certificate in the prescribed proforma duly certified by the Financial Institution /Bank, within six months from the end of every Half year i.e., 30th of September and 31st of March of every year for the reimbursement of interest.
- xiii. After receipt of the Crossed cheque for Reimbursement of Interest by the concerned Bank branch from A.P. State Financial Corporation (APSFC), the amount shall be disbursed to the industrial unit immediately.
- xiv. All the definitions and other guidelines not mentioned here-in shall be followed as per the operational guidelines of IIPP 2005-10 scheme, issued vide G.O.Ms.No.328, Ind. & Com. (IP) Dept.dt.13-12-2005 read with G.O.Ms.No.149, Ind. & Com.(IP) Department dated 20.06.2008.
6. The expenditure on reimbursement of interest to the new Micro & Small enterprises shall be debited to the following Head of Account:
“M.J.H. 2852 Industries – S.M.J.H. 80 General – M.H. 800 Other Expenditure – G.H. 11 Normal State Plan – S.H. (14) Extension of Pavalavaddi Scheme to all SSI and Food Processing units – 310 Grants-in-aid – 312 Other Grants-in-aid”.
7. The Commissioner of Industries, Andhra Pradesh, Hyderabad and the Managing Director of Andhra Pradesh State Financial Corporation, Hyderabad shall take necessary further action accordingly.
8. This order issues with the concurrence of Finance (Expr.I&C) Department vide their U.O. No.376/Expr.I&C/08, Dated 5-8-2008.
9. Copy of this order is available on internet and can be accessed at address <http://www.ap.gov.in/goir>.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

B. SAM BOB,
PRINCIPAL SECRETARY TO GOVERNMENT AND
COMMISSIONER FOR INDUSTRIAL PROMOTION

To

The Commissioner of Industries, Andhra Pradesh, Hyderabad

The Managing Director, Andhra Pradesh State Financial Corporation, Hyderabad.

Copy to

The Finance (Expr. I&C) Department/ The General Administration (Cabinet) Department.

The Social Welfare (Sw.Coordn.) Department/ The Social Welfare (TW) Department.

The Managing Director, Andhra Pradesh Industrial Infrastructure Corporation Ltd., Hyderabad.

The Commissioner, Social Welfare Department/ The Director, Tribal Welfare Department

All Departments in the A.P. Secretariat, Hyderabad.

All the Heads of the Departments in the State.

The Managing Director, A.P. Scheduled Caste Co-op. Finance Corporation, Hyderabad

The Managing Director, TRICOR, A.P. Hyderabad.

The Convener, State Level Banker's Committee, Head Office, Andhra Bank, Dr. Pattabhi Building, Saifabad, Hyderabad-500004.

The General Manager, Small Ind. Dev. Bank of India, Hermitage Office Complex, 1st Floor, P.B.No.130, Saifabad, Hyderabad.

The Accountant General, Andhra Pradesh, Hyderabad/ The Pay & Accounts Officer, Hyderabad.

All District Collectors in the State through Commissioner of Industries, Hyderabad.

All General Managers of District Industries Centres in the State through Commr. of Industries, Hyderabad.

The P.S. to Addl. Secretary to C.M. / The P.S. to Minister (Major Industries) / The P.S. to Minister (SSI)

The P.S. to Chief Secretary to Government

The P.S. to Principal Secretary to Govt. & Commissioner for Industrial Promotion, Ind. & Com Dept.

The P.S. to Secretary to Govt., Industries & Commerce Department.

The Publicity Cell, D-Block, A.P. Secretariat, Hyderabad.

SF/SC

//Forwarded :: By Order//

SECTION OFFICER